

# SENATE RECORD VOTE ANALYSIS

104th Congress  
1st Session

Vote No. 72

February 15, 1995, 7:52 p.m.  
Page S-2749 Temp. Record

## BALANCED BUDGET AMENDMENT/Capital Budget

**SUBJECT:** A Resolution Proposing a Balanced Budget Amendment to the Constitution of the United States . . . H.J. Res. 1. Hatch motion to table the Biden amendment No. 278.

### ACTION: MOTION TO TABLE AGREED TO, 59-38

**SYNOPSIS:** Pertinent votes on this legislation include Nos. 62-63, 65-71, and 73-98.

As passed by the House, H.J. Res. 1, a resolution proposing a Balanced Budget Amendment to the Constitution, is virtually identical to the balanced budget constitutional amendment that was considered last year by the Senate (see 103d Congress, second session, vote Nos. 47-48). The resolution: will require a three-fifths majority vote of both Houses of Congress to deficit spend or to increase the public debt limit; will require the President's annual proposed budget submission to be in balance; and will require a majority of the whole number of each House to approve any bill to increase revenue. Congress will be allowed to waive these requirements for any fiscal year in which a declaration of war is in effect. Congress will enforce and implement this amendment by appropriate legislation. The amendment will take effect in fiscal year 2002 or with the second fiscal year beginning after its ratification, whichever is later. The States will have 7 years to ratify the amendment.

**The Biden amendment** would create a separate, off-budget capital budget. Specifically, it would strike section 7 and insert the following: "Total outlays shall include all outlays of the United States Government except for those for repayment of debt principal and those dedicated to a capital budget. The capital budget shall include only major public physical capital investments. For each fiscal year, outlays dedicated to the capital budget shall not exceed an amount equal to 10 percent of the total outlays for that year, which amount shall not be counted for purposes of section 2. Three-fifths of each House may provide by law for capital budget outlays in excess of 10 percent for a fiscal year. Total receipts shall include all receipts of the United States Government except those derived from borrowing and the disposition of major public physical capital assets."

Debate was limited by unanimous consent. Following debate, Senator Hatch moved to table the Biden amendment. Generally, those favoring the motion to table opposed the amendment; those opposing the motion to table favored the amendment.

(See other side)

YEAS (59)			NAYS (38)		NOT VOTING (3)	
Republicans (50 or 100%)	Democrats (9 or 19%)		Republicans (0 or 0%)	Democrats (38 or 81%)	Republicans (3)	Democrats (0)
Abraham	Inhofe	Campbell		Akaka	Hollings	Bond <sup>-2</sup>
Ashcroft	Jeffords	Exon		Baucus	Inouye	Helms <sup>-2AY</sup>
Bennett	Kempthorne	Graham		Biden	Johnston	Kassebaum <sup>-2</sup>
Brown	Kyl	Heflin		Bingaman	Kennedy	
Burns	Lott	Kerrey		Boxer	Kerry	
Chafee	Lugar	Nunn		Bradley	Kohl	
Coats	Mack	Reid		Breaux	Lautenberg	
Cochran	McCain	Robb		Bryan	Leahy	
Cohen	McConnell	Simon		Bumpers	Levin	
Coverdell	Murkowski			Byrd	Lieberman	
Craig	Nickles			Conrad	Mikulski	
D'Amato	Packwood			Daschle	Moseley-Braun	
DeWine	Pressler			Dodd	Moynihan	
Dole	Roth			Dorgan	Murray	
Domenici	Santorum			Feingold	Pell	
Faircloth	Shelby			Feinstein	Pryor	
Frist	Simpson			Ford	Rockefeller	<b>EXPLANATION OF ABSENCE:</b>
Gorton	Smith			Glenn	Sarbanes	1—Official Business
Gramm	Snowe			Harkin	Wellstone	2—Necessarily Absent
Grams	Specter					3—Illness
Grassley	Stevens					4—Other
Gregg	Thomas					
Hatch	Thompson					<b>SYMBOLS:</b>
Hatfield	Thurmond					AY—Announced Yea
Hutchison	Warner					AN—Announced Nay
						PY—Paired Yea
						PN—Paired Nay

**Those favoring** the motion to table contended:

The Biden amendment should be tabled for several reasons. First, it would serve no useful purpose because the United States has no need for a capital budget. Second, having a capital budget would permit annual deficits for capital spending that were so large that they would negate the value of having a balanced budget amendment. Third, having off-budget capital spending would encourage abuse of the definition of "capital." Finally, the amendment would inappropriately set budget priorities in the Constitution. Those priorities should be set by Congress in statutes.

The United States does not need a capital budget because its capital spending is such a small percentage of its budget that it can easily pay for it on a pay-as-you-go basis. Individuals borrow because they make purchases that are so large compared to their annual income that it is difficult or impossible to pay for them in one year. The most obvious example, of course, is the purchase of a home, which is typically more than the annual income of an individual. For the Federal Government, though, capital expenditures are currently at 7 percent of the budget, which is a little bit lower than the historical average. Within that 7 percent, the single largest item is a \$7 billion nuclear aircraft carrier. Clearly, with a \$1.6 trillion budget, no capital project is so large that deficit financing is the only means of purchasing it. The largest continuing capital project of the United States, the National Highway system, has always been operated on a pay-as-you-go basis by collecting a gas tax. This method of financing has reduced the cost of the highway system by more than \$750 billion, which is the estimated amount of interest payments that would have been paid if deficit financing had been used.

Though the Biden amendment would have no useful impact, it would clearly have negative consequences. We urge our colleagues to consider exactly how this proposal would work in practice. Under this amendment, all capital spending could be placed off-budget by a simple majority vote, as long as the total amount of such off-budget spending did not exceed more than 10 percent of each year's budget. Every penny of that capital budget could then be borrowed; in fact, our colleagues emphatically state that they want to create the budget precisely to permit deficit spending. This year's budget is approximately \$1.6 trillion, and the latest estimate of the deficit is approximately \$190 billion. If 10 percent of that \$1.6 trillion were taken off-budget, then the official deficit for this year would be only \$30 billion, which is less than 2 percent of the total budget. In other words, according to the Biden amendment, the United States budget is just a teeny bit out of balance. Deficits nearly as large as those we currently have could be run indefinitely. This amendment would allow the United States budget to be out of balance by 10 percent each and every year. The Biden amendment would allow Members to pretend they have balanced the budget while the United States would continue speeding into bankruptcy.

Our next objection to the Biden amendment is that it would actually decrease capital spending instead of increasing it. If it were permissible to deficit spend for capital projects, the chance of actually obtaining any funding for any such project would be slim to none. All capital projects would be moved to the capital budget. Additionally, when Senators saw that a capital budget existed, the temptation would be to redefine or restructure other programs to make them also qualify as capital expenditures. This new, creative budgeting would squeeze out funding for true capital spending projects. The Biden amendment tries to solve this definitional problem by restricting the budget to "major public physical investments," but the Office of Management and Budget already has three separate categories of spending under its definition of that term. We imagine that Senators, being creative individuals, would come up with a few new categories if this amendment were to pass.

Our final objection is that the Biden amendment would place in the Constitution a budget policy decision that should be made by each Congress or even on a case-by-case basis. If one Congress wishes to pass rules favoring capital budgeting, it should be able to do so. If it wishes to give preferences to certain types of projects, or consider all spending on a case-by-case basis, nothing should bind its decisions. These questions are temporary, political questions, the answers to which will change from year to year. Whether or not capital spending will receive preferential treatment should not be a constitutional, permanently decided question.

The Biden amendment would try to solve a problem that does not exist. In the process, it would gut the balanced budget amendment, lessen the amount of capital spending in the country, and place statutory language into the Constitution. Clearly this amendment should be rejected.

**Those opposing** the motion to table contended:

Perhaps we are wasting our time in offering this amendment. Several Senators have told us privately that this amendment appears to have merit, but they are not willing to make any modifications to the resolution. It is as though the language from the House has been chiseled in stone. Nevertheless, we hope that we can persuade our colleagues to accept the Biden amendment, because the arguments in its favor are compelling.

At present, literally every individual, corporation, and government except the Federal Government borrows money to make large capital purchases. Individuals buy cars and homes on credit; corporations make factory and machine purchases on credit; governments build waterworks, roadway, and other infrastructure projects on credit. All of this borrowing, or "deficit spending," is appropriate. The value of capital projects extends over several years so it is appropriate to pay for them over their useful lives. It is actually a great accounting distortion to pay for a project in the year it is started if its useful life is going to extend over several decades.

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Only the Federal Government does not borrow specifically for its capital expenditures. It collects funds and puts them in one account, the general fund of the Treasury, to pay for both operating and capital spending. Money is never specifically borrowed for capital projects--costs are paid up-front. Money is only borrowed to replenish the general Treasury fund when it is overspent. Under the terms of the balanced budget amendment, from now on it will take three-fifths majority votes in both Houses of Congress to borrow funds to replenish the general Treasury.

The result will be to make it very difficult to borrow. Because the Federal Government currently spends much more than it collects, taxes will have to be raised and spending will have to cut. With spending reduced, pressure to cut funding for capital projects will be extreme. People will not be willing to let the operating budget be cut because they receive the benefits from that budget directly, immediately, and in full. For instance, financial aid to school districts will not be easily cut. However, people will be willing to cut capital funding. For example, large military items such as aircraft carriers cost billions of dollars up-front, but the protection that they provide Americans is not a directly measurable benefit for any individual, and the protection they offer is over decades.

We do not want to see capital spending in America decline. Spending for bridges, roads, sewer systems, roads, and similar infrastructure projects spurs economic growth. Unlike simple transfer payments, such spending is on the production side of the economy, and yields tremendous returns for our country. Passing the Biden amendment to provide for a capital budget, makes simple accounting sense, and makes good economic sense as well. We therefore oppose this motion to table.